

Agenda Item: 13-8

Meeting Dates: April 13 and 14, 2005

JOINT MEETING WITH BAY-DELTA PUBLIC ADVISORY COMMITTEE

FINANCE PLANNING

Summary: Staff from the California Bay-Delta Authority, Department of Water Resources, and Department of Fish and Game will provide an update on available funding, near-term priorities, and financing options.

Recommended Action: This is an information item.

Background

The California Bay-Delta Authority at its December meeting with the Bay-Delta Public Advisory Committee (BDPAC) approved the CALFED Finance Plan as a framework for guiding the financing of the CALFED Program for the next ten years. Resolution 04-12-03 adopted by the Authority stated the "Director shall continue working with the State and Federal Administrations, implementing agencies, stakeholders, the Legislature and Congress on refining the details of the Plan and shall bring relevant issues back to the Authority and BDPAC for further consideration".

On January 10, 2005 the Governor's Proposed FY 2005-06 budget was released. In the Governor's Budget Summary, the Administration summarizes the CALFED Finance Plan and the proposed allocations of funding for State, Federal, Water Users, and Local shares. The Budget Summary also directs the Authority to develop a plan to finance the allocations to be incorporated in the Governor's May Revision of the Budget.

On January 26 and March 9, the Senate (Attachment 1) and Assembly (Attachment 2) each held joint policy and budget oversight hearings on the CALFED Finance Plan. At both hearings, members indicated strong concern that a May submittal to the Legislature regarding funding proposals would not allow sufficient Legislative review (See Attachment 3).

Subsequently on March 14, the Senate Budget and Fiscal Review Subcommittee No. 2 deleted all CALFED funding for the next budget year 2005-06 totaling \$261 million among seven State agencies (See Attachment 4). The Subcommittee said that funding would be deleted until the Administration submits a "workable finance plan" for CALFED that includes, "realistic ten-year funding targets and sustainable funding from all

beneficiaries, including an administrative process to implement the finance plan." The Subcommittee indicated that "if a workable plan is not put forward by April 1, the Subcommittee will determine the level of funding, if any, that would be appropriate for the CALFED program in 2005-06."

Summary

Authority staff and the CALFED implementing agencies, along with stakeholders and legislative staff, have been meeting to address the near-term funding needs for the CALFED Program. Meetings and discussions have focused on CALFED near-term priorities and funding, available funding to meet those priorities, and identification of financing options if funding is not sufficient. The CALFED Finance Plan laid the foundation for identifying Program funding needs over a 10-year basis, and for identifying Program benefits and beneficiaries for all programs and projects. Using the Finance Plan as a foundation, the CALFED agencies have focused on near-term funding and priorities given the difficulties of generating new revenue sources.

Authority staff and CALFED implementing agencies will provide an update at the April meeting regarding:

- Available Funding
- Near-term Priorities
- Financing Options

Available Funding

CALFED agencies have been reviewing the status of bond funds and other funding sources to determine for future years what funding is available. At the April meeting, Authority staff will provide a summary of available and potentially available funding sources and amounts by program element or project.

In determining the level of available funding, several issues arise –what is the definition of "available", are the available funds flexible for multiple purposes, and what is the level of certainty that the funds will be available in future years?

- CALFED agencies are defining "available funding" as including only those funds that have **not** been "awarded" to projects or activities in current or previous years. For example, if bond funds have been awarded for grants, the funds are not considered "available" for future grants or projects even though technically contracts may not have been finalized or funding dispersed.
- The majority of the bond funds are directed based on language in the bonds to certain program elements and cannot be shifted between programs. Authority staff will identify those few fund sources that have some flexibility. For example, although significant funding remains in Propositions 13 and 50 for conveyance and water quality activities, those funds cannot be shifted to Ecosystem Restoration or Storage.

- Upon review of future available funding, there is variation based on the level of certainty that funds will be available for CALFED purposes. For those funding sources (i.e. Chp. 7 Prop 50) that are specifically directed at CALFED actions –we have identified the funding as "available". However, for other funding sources (i.e. Chps. 4 and 5 of Prop 50, and additional Federal appropriations), we have identified those funds separately as "potentially available" to reflect the lower degree of certainty that funds will be available to support CALFED priorities.

Near-Term Priorities

At the April meeting, Authority staff and the CALFED implementing agencies will provide a summary of proposed near-term priorities for the CALFED Program. At this point, the focus for near-term priorities has been on the Delta Improvements Program, a regional water management grants program, and an ecosystem and science program. In many cases, we are examining the minimum funding needed in the next few years to meet program needs across all program elements.

Financing Options

As discussed at the February meeting, in the near future additional funding will be needed to implement the CALFED Program. After reviewing the near-term priorities and the available funding to meet those needs, the Authority and BDPAC will have a better sense of what the funding gaps are for each part of the Program. In many cases, the funding shortfalls will begin at different times over the next one to three years because available funding is being spent at varying rates.

Authority staff and CALFED implementing agencies will provide members at the April meeting with an update on financing options to fill future funding gaps for the CALFED Program. Specifically, a new Ecosystem water user fee and a new State Water Infrastructure Investment Fund are possible new finance options to support CALFED activities. In addition, there has been additional discussion between State and Federal regulatory agencies regarding current and future regulatory assurances related to the Ecosystem water user fee. The fishery agencies will provide an update at the April meeting on the status of the regulatory assurance related to CALFED financing.

List of Attachments

- Attachment 1 – Senate Staff Report, CALFED Finance Oversight Hearing
- Attachment 2 – Assembly Staff Report, CALFED Finance Oversight Hearing
- Attachment 3 – Letter from Senator Sheila Kuehl, 2/28/05
- Attachment 4 – Addendum to March 14 Agenda; Senate Subcommittee No. 2
- Attachment 5 – Letter from multiple water agencies; 3/25/05
- Attachment 6 – Letter from Sacramento Suburban Water District; 3/15/05
- Attachment 7 – Letter from Yuba County Water Agency, 3/16/05
- Attachment 8 – Letter from Sacramento River Conservation Area Forum, 12/29/04
- Attachment 9 – Letter from Yolo County Flood Control & Water Conservation District
2/23/05
- Attachment 10 – Letter from Placer County Water Agency, 2/17/05
- Attachment 11 – Letter from Mountain Counties Water Resources Assoc., 2/24/05
- Attachment 12 – Letter from Sacramento Municipal Utility District, 2/23/05
- Attachment 13 – Letter from San Joaquin River Group, 2/10/05
- Attachment 14 – Letter from San Juan Water District, 3/9/05

Contact

Kate Williams Hansel
Assistant Director Policy and Finance

Phone: (916) 445-0143